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DE RUEHLP #1280 1291020
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FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC PRIORITY 3516
INFO RUEHAC/AMEMBASSY ASUNCION 6757
RUEHBO/AMEMBASSY BOGOTA 4088
RUEHBR/AMEMBASSY BRASILIA 7982
RUEHBU/AMEMBASSY BUENOS AIRES 5225
RUEHCV/AMEMBASSY CARACAS 2464
RUEHPE/AMEMBASSY LIMA 2584
RUEHMD/AMEMBASSY MADRID 3455
RUEHMN/AMEMBASSY MONTEVIDEO 4589
RUEHQT/AMEMBASSY QUITO 5094
RUEHSG/AMEMBASSY SANTIAGO 9679
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
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RHEHNSC/NSC WASHINGTON DC

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TREASURY FOR SGOOCH, ENERGY FOR CDAY, SLADISLAW

E.O. 12958: DECL: 03/30/2017

TAGS: [ECON](#) [PGOV](#) [PREL](#) [BL](#)

SUBJECT: GOB TAKES OFF THE GLOVES WITH PETROBRAS

Classified By: Ecopol Counselor Andrew Erickson for reasons 1.4 (b) and (d).

11. (U) On May 6, the GOB issued, and on May 7, officially published, decree number 29122 giving state-owned oil company YPFB majority control over residual crude oil exportation from two refineries owned by Brazil's Petrobras, the largest investor in Bolivia's hydrocarbons sector. Press reports calculated that the GOB takeover of the refineries would decrease Petrobras' earnings by USD \$194,000 daily, turning the refineries into losing businesses. Petrobras responded to the decree by calling for fair negotiations for the sale of the refineries to the Bolivian state. On May 7, Petrobras sent YPFB and Hydrocarbons Minister, Carlos Villegas, its final proposal for the transaction, and gave the GOB 48 hours to respond. The GOB has previously offered to purchase the two refineries from Petrobras for USD \$60 million, but the Brazilian company is seeking USD \$160 million to \$180 million. Brazilian Energy Secretary, Silas Rondeau, threatened in a May 7 press conference to bring the case before international arbitration if the GOB did not offer a timely, reasonable price for the refineries.

12. (C) Arturo Castellanos, Petrobras representative in La Paz, told Econoffs on May 7 that the decree was a means to pressure Petrobras to sell its refineries. Brazilian press reported on the Lula administration's disappointment with the GOB for its "deceptive" decree, and insinuated that the takeover could have a negative impact on the bilateral relationship.

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